

**REGULAR STATE CREDIT UNION BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

March 14, 2003

The regular meeting of the State Credit Union Board was called to order by Acting Chairman Entringer in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:38 a.m., Friday, March 14, 2003, by conference call arrangement.

MEMBERS PRESENT: Robert J. Entringer, Acting Chairman/Secretary (*Office*)
Charles W. Gates, Member (*Grand Forks*)
Judy A. Millar, Member (*West Fargo*)
Ervin E. Mund, Member (*Office*)
Steven S. Tonneson, Member (*Minot*)

MEMBER ABSENT: Timothy J. Karsky, Chairman

ALSO PRESENT: Jim Laidlaw, Chief Examiner – Credit Unions (*Office*)
Kermit Larson, North Dakota Credit Union League (*Office*)

CHAIRMAN KARSKY ABSENT

Assistant Commissioner Entringer stated that Chairman Karsky is returning from a meeting and would not be available for the conference call, and noted Chairman Karsky appointed him as Acting Chairman for the meeting.

MINUTES PREVIOUSLY APPROVED BY MAIL

The minutes for the regular meeting of December 6, 2002, had been previously mailed to the Board, and approved.

ARTICLES OF AMENDMENT TO THE BYLAWS – AFFILIATED EMPLOYEES CREDIT UNION, FARGO

Acting Chairman Entringer noted that the Articles of Amendment to the Bylaws for Article II, Section 2, amends the “Membership in the credit union from employees of Blue Cross Blue Shield of North Dakota” to “Membership in the Affiliated Employees Credit Union is limited to employees of Noridian Mutual Insurance Company and its affiliated companies”. The proposed amendment to Article II, Section 4, amends the current language from “Members who leave the field of membership may retain their membership in the credit union” to “Members who leave the field of membership may not retain their membership in the credit union”. Acting Chairman Entringer noted that the word “not” was omitted when the bylaws were last amended when the name of the credit union had been changed. Acting Chairman Entringer also noted it was the intent of the credit union to change the bylaws to the current proposed membership in Section 2; however, Articles of Amendment to the Bylaws had not been submitted previously.

Member Tonneson inquired as to whether Blue Cross had changed its name to Noridian, and Acting Chairman Entringer indicated that is correct.

It was moved by Member Mund, seconded by Member Millar, and unanimously carried to approve the Articles of Amendment to the Bylaws of Affiliated Employees Credit Union, Fargo, to amend Article II, Sections 2 and 4, Membership.

INCIDENTAL POWER ORDER

Acting Chairman Entringer indicated the reason this is before the Board is that according to NCUA rules and regulations a credit union may only sell participation loans to eligible organizations which are defined as a credit union, a credit union organization, or a financial organization. A financial organization is defined as any federally chartered or federally insured financial institution. Currently the problem is that there are many credit unions that sell participation loans to the Bank of North Dakota, which does not fit the definition of a financial organization because it is neither federally chartered nor insured. In discussing how to resolve this situation, it was determined the easiest course of action was to draft an Incidental Power Order for the Board’s consideration, deeming the sale of loan participations to the Bank of North Dakota as an incidental power of credit unions

and necessary to carry on the business of a credit union. Acting Chairman Entringer stated this situation had been noted the last several months by Chief Examiner Laidlaw and we had considered introducing legislation; however, after discussion by Commissioner Karsky, Assistant Commissioner Entringer, and Chief Examiner Laidlaw, it was determined that it would be within the incidental power capability of the State Credit Union Board to draft an Order and not go through the legislative process.

It was moved by Member Gates, seconded by Member Mund, and unanimously carried to approve the Incidental Power Order deeming the sale of loan participations to the Bank of North Dakota as necessary to carry on the business of a credit union.

NDBA – OPPOSITION TO CREDIT UNION PROPOSAL

Acting Chairman Entringer indicated that included with the agenda is a copy of the North Dakota Bankers Association Bulletin indicating opposition to the NCUA's proposed changes to the field of membership rules for federal credit unions. Acting Chairman Entringer indicated he did not know if any of the Board members had seen the North Dakota Bankers Association's letter, but Commissioner Karsky wanted it provided for their information.

Member Tonneson indicated at the recent Governmental Affairs Committee meeting he and Member Mund attended, it was pointed out that many comments regarding the proposal had been received from bankers, many of which were the same comments with similar formats. Member Tonneson stated the NDBA letter looked somewhat different; however, many of the comments are still the same.

Acting Chairman Entringer indicated he would not be surprised if ABA had sent out a "talking points" type of communication asking the bankers to send letters opposing the proposed rule.

LEGISLATION

Member Tonneson indicated his impression in speaking with Chairman Dollar is that in spite of the comments from the bankers, they would be pushing forward for the regulation.

Member Mund noted he saw legislation had been passed on Thursday, March 13, 2003, approving interstate branching for banks. Acting Chairman Entringer indicated the North Dakota Bankers Association had discussed this with Commissioner Karsky and himself, and it stemmed from a North Dakota bank that had been interested in acquiring a branch of a bank in Arizona. Acting Chairman Entringer indicated Arizona law did allow the acquisition of a branch but only on a reciprocal basis and North Dakota law did not permit a branch acquisition; therefore, the banker was not allowed to complete the acquisition. The legislation was introduced based on that request and the North Dakota Bankers Association decided since the legislation for branch acquisition was being introduced, they might as well bring in the de nova branch authority also. The legislation was reviewed with the Department and we did not see any problems with the legislation.

Member Mund also discussed House Bill No. 1231 that includes a provision providing a debt cancellation contract between a bank and a debtor or between a savings association and a debtor is not insurance and also does not include a debt suspension contract between a bank and a debtor or a savings association and a debtor as insurance. The bill also defines “insurer” and specifically says the term does not include a bank or savings association as a party to a debt cancellation or debt suspension contract. Member Mund noted that credit unions had not been included in this bill, and Acting Chairman Entringer indicated when the bill was first heard by the House Committee, Commissioner Karsky had spoken to the bank and credit union lobbyist to make sure that the banks and credit unions were included; however, the credit unions did not get included in the House.

Mr. Larson stated the credit union lobbyist had indicated he would be introducing an amendment to include credit unions on the Senate side. Acting Chairman Entringer stated once this is passed by the Senate, it will have to go back to the House Conference Committee for approval.

Acting Chairman Entringer stated the two credit union bills which were introduced or are being tracked by the Department had been passed on both sides and were fairly uneventful.

The Board went into closed session at 9:52 a.m.

Robert J. Entringer, Acting Chairman

Robert J. Entringer, Secretary